State of Washington
Roadmap for Financial and Administrative Policies, Processes and Systems

Advisory Group
Working Session

May 31, 2006

Today's Agenda

	Agenda item	Presenter	Time
1	Welcome	Sadie Rodriguez-Hawkins	5 min
2	Project update, communications	Kathy Rosmond	5 min
3	Business process modeling update	Kathy Rosmond	5 min
4	Review and approve Revenue Accounting Value Proposition	Robin Madsen/Susan Dodson	70 min
5	Next steps / process check	Kathy Rosmond	5 min

Appendices – Integration Architecture Strategy, decision-making principles and *Roadmap* business functions mapped to ERP solutions
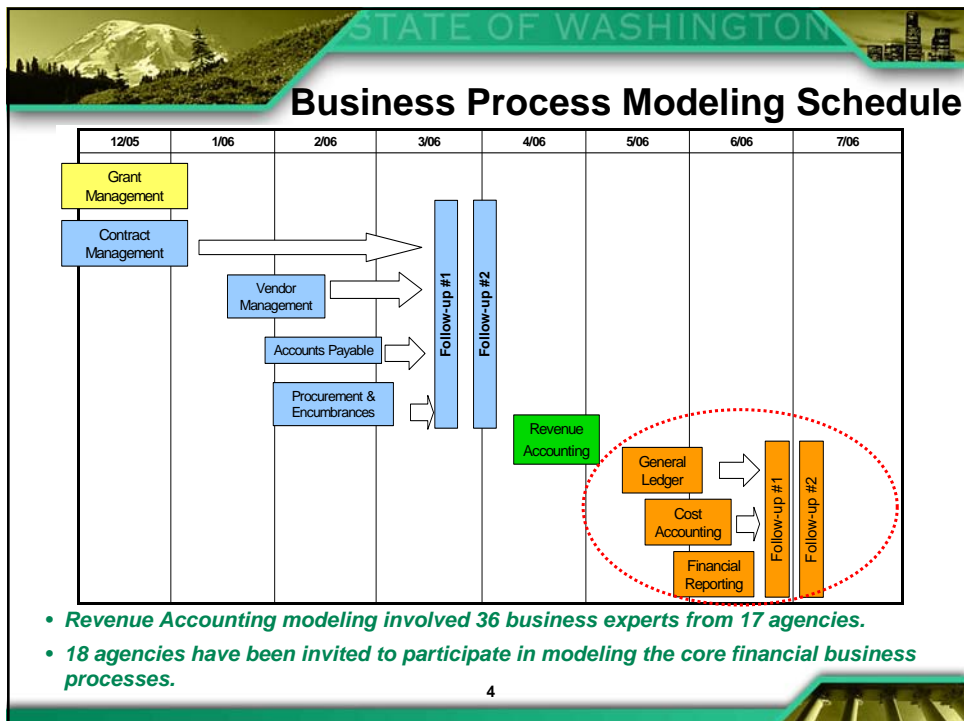
2

Project Update, Communications

- Executive Sponsor meeting
- Central Service Agency enterprise portfolio committee*
- Feedback on the Procure-to-Pay Value Proposition

* This committee includes representatives from the following central service agencies: DOP, DIS, GA, and OFM.

3

Business Process Modeling Schedule

- *Revenue Accounting modeling involved 36 business experts from 17 agencies.*
- *18 agencies have been invited to participate in modeling the core financial business processes.*

4

Core Financials Focus Group Schedule

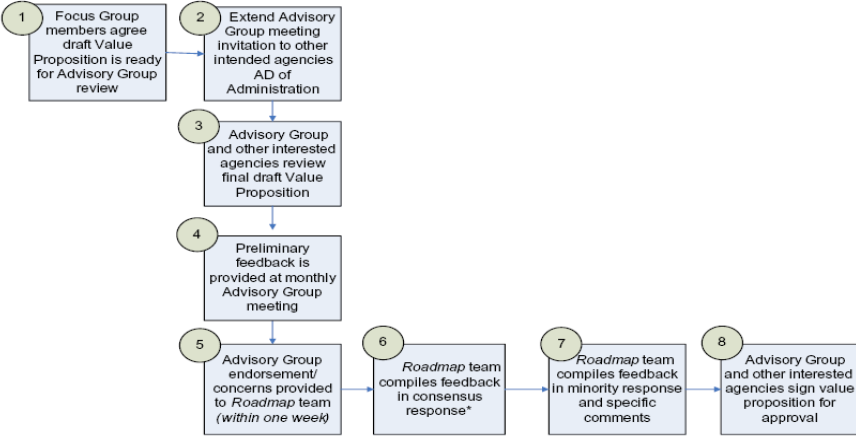| Business Process	As-Is Session	Could-Be Session	Follow-up Session #1	Follow-up Session #2
General Ledger	✔ 5/11/06 GA room 207	6/7/06 LNI room 117		
Cost Accounting	✔ 5/17/06 DIS Board Room	6/14/06 DIS Board Room	6/28/06 DIS Board Room	7/12/06 DIS Board Room
Account Administration and Financial Reporting	✔ 5/25/06 GA Room 207	6/22/06 LNI Room 117		

All sessions are from 8 am to Noon

5

Value Proposition Review process

1. Focus Group members agree draft Value Proposition is ready for Advisory Group review
2. Extend Advisory Group meeting invitation to other intended agencies AD of Administration
3. Advisory Group and other interested agencies review final draft Value Proposition
4. Preliminary feedback is provided at monthly Advisory Group meeting
5. Advisory Group endorsement/ concerns provided to *Roadmap* team *(within one week)*
6. *Roadmap* team compiles feedback in consensus response*
7. *Roadmap* team compiles feedback in minority response and specific comments
8. Advisory Group and other interested agencies sign value proposition for approval

* Need to document how group balanced principles in making recommendations.

6

3

Modeling Recommendation "caveats"

"Could Be" Recommendations are:

- Intended as a <u>starting point for discussion</u> rather than definitive solutions
- Based on government and industry best practices that have been implemented elsewhere

Additional research and extensive stakeholder involvement will be required to:

- Establish the feasibility of each recommendation
- Recommend detailed policy revision language as necessary
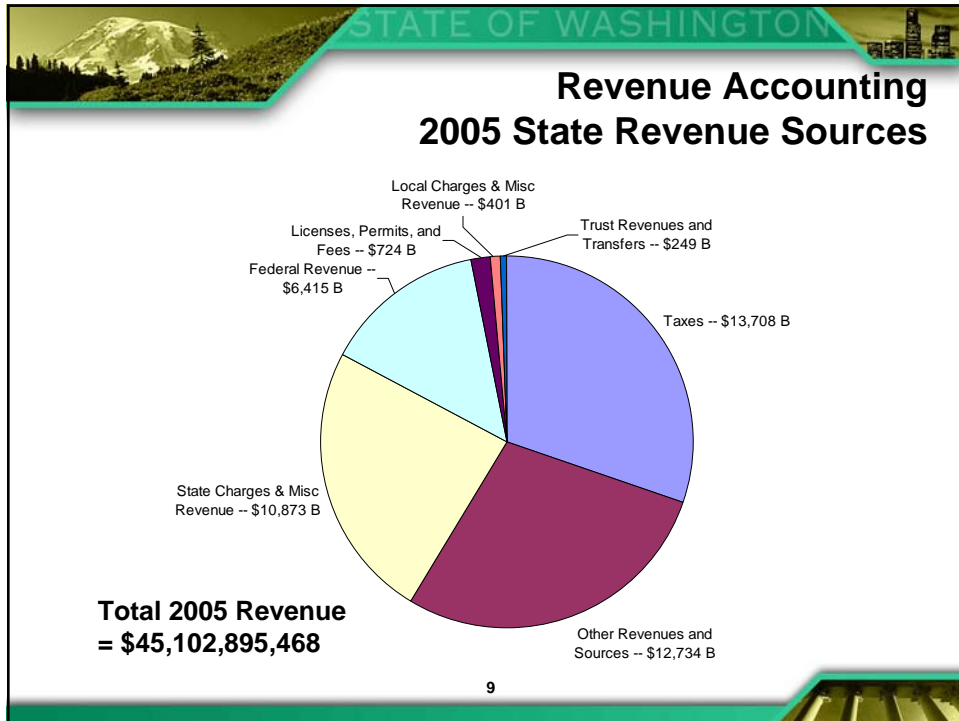- Support an executive level decision to move forward

7

Revenue Accounting Value Proposition Endorsement discussion

Based on the information we have at this time, do you agree to endorse the "could-be" vision for Revenue Accounting and the eight recommendations for change within the four categories?
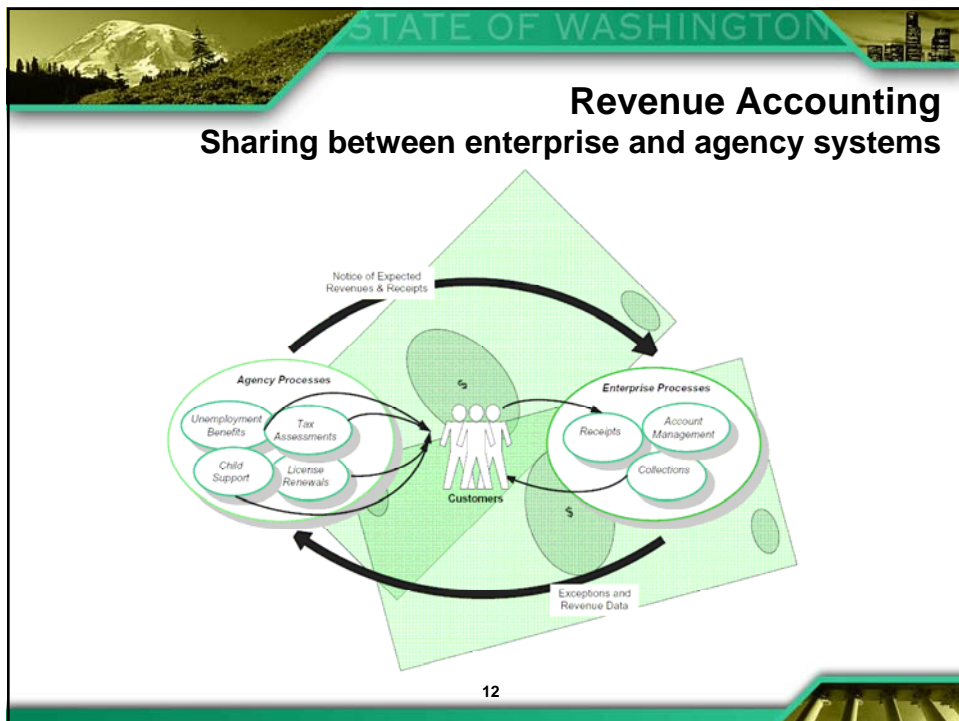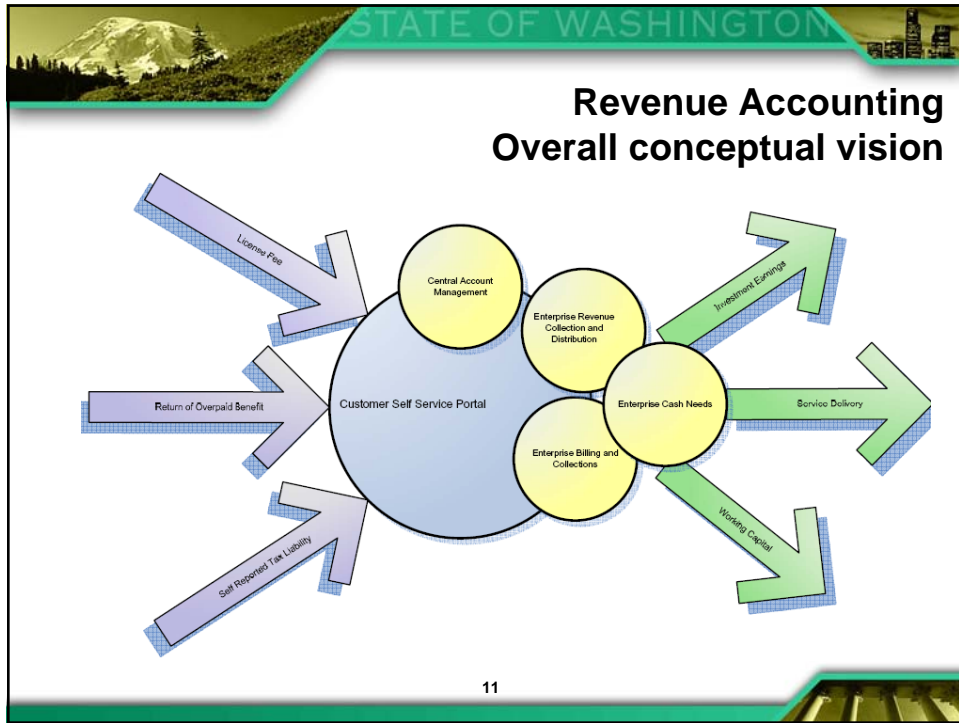
8

Revenue Accounting
2005 State Revenue Sources

Local Charges & Misc Revenue -- $401 B

Licenses, Permits, and Fees -- $724 B

Federal Revenue -- $6,415 B

Trust Revenues and Transfers -- $249 B

Taxes -- $13,708 B

State Charges & Misc Revenue -- $10,873 B

Total 2005 Revenue = $45,102,895,468

Other Revenues and Sources -- $12,734 B

Revenue Accounting –
What we won't be able to do in five years

90% of households and businesses pay all of their bills online except for Washington State bills which must be paid the old fashioned way. The cost of printing and delivering a notice or bill through the mail is over $5.00. More and more discretionary state services are self-funded (through fees or reimbursements). The State is authorized to "sell" services at a profit to fund other mandated functions. The federal government demands 95% collection of overpayments. Each day of mail or processing delay for a $100 payment costs 3 cents in lost investment revenue.

Revenue Accounting
Overall conceptual vision

11

Revenue Accounting
Sharing between enterprise and agency systems

12

Revenue Accounting Recommendations

1. **Payment method and collections reform**
   a. Expand customer payment options by removing payment method restrictions from law and policy
   b. Legalize best practice collection methods including more effective penalties, authorization to withhold services, and the ability to offset state receivables with payables

2. **Electronic commerce**
   a. Promote universal adoption of electronic commerce by:
      – Implementing an enterprise payment portal
      – Enabling real time interaction between the portal, receipting and line of business systems
      – Negotiating low/no fee electronic payment service options based on enterprise volumes
      – Marketing benefits to customers

13

Revenue Accounting Recommendations (cont.)

3. **Revenue center of excellence**
   a. Consolidate delivery of targeted enterprise revenue accounting services such as customer information management, mail-in cashiering, revenue distribution, receivables management and collections
   b. Analyze the potential for enterprise lockbox standards and practices
   c. Implement integrated revenue accounting systems

4. **Account management**
   a. Establish universal customer identifiers linked to line of business systems to improve customer service and coordinate state services
   b. Leverage enterprise customer information to improve cross-agency service delivery and standardize credit risk evaluation, collection referral and write-off policy

14

Revenue Accounting
Business value

A. Reduced time from sale/service to receipt of cash

B. Put money to work faster and more efficiently

C. Improved customer service and program delivery

D. Increased compliance

E. Faster, better, cost-effective collections

F. Reduced risk exposure

G. Better budget resource decisions

H. Increased investment earnings

15

Revenue Accounting
Performance metrics

A. Average time from sale/service to receipt of cash (for targeted lines of business)

B. Percent of customers reporting excellent service

C. Percent of invoices sent electronically to customers

D. Percent of electronic receipts

E. Debtors by "aged-group" as a percent of the total debt

F. Debt turn-over rate, i.e. average time to collect

G. Debt written off as a percent of total debt

H. Working capital turnover rates

16

Revenue Accounting Value Proposition Endorsement discussion

Based on the information we have at this time, do you agree to endorse the "could-be" vision for Revenue Accounting and the eight recommendations for change within the four categories?

Please send endorsements and comments to:
Michelle.French@ofm.wa.gov by June 30th.

17

May Expectations

Tasks	Expectations	Assigned to	Due Date
Submit response to Procure-to-Pay Value Proposition	• If you haven't done so already, send Procure-to-Pay Value Proposition endorsements to Michelle.French@ofm.wa.gov	Advisory Group	May 31
Submit response to Revenue Accounting Value Proposition	• Send responses to Revenue Accounting Value Proposition to Michelle.French@ofm.wa.gov	Advisory Group	June 30
Continue modeling the core financial business processes	• Participate in business process modeling • Check out the *Roadmap* Business Process Modeling website *http://www.ofm.wa.gov/roadmap/modeling.htm*	Now-July Advisory Group	Ongoing Ongoing
Develop integration architecture strategy	• Continue developing the integration architecture strategy for the *Roadmap*	Enterprise Architecture Committee	1st Wednesday of each month
Communicate	• Continue sharing the *Roadmap* plan and vision with agency managers and staff	Advisory Group Working Team	Ongoing

*Next meeting: **Wednesday, July 26th 1:30-3:30***
OFM Point Plaza Training Room

18

Process Check

Suggestions for improvements

19

Appendices

Roadmap Reference Slides:

- Integration architecture strategy
- Advisory Group decision making principles

20

Roadmap Integration Architecture Strategy

The integration architecture strategy will identify standards & guidelines that will allow the state to:

- Implement the *Roadmap* incrementally, with confidence that components will fit together
- Accommodate agency-unique extensions where needed
- Help agencies plan how to integrate their core systems with new *Roadmap* systems over time

The Integration Architecture Steering Committee, jointly sponsored by DIS and the *Roadmap*, is defining the enterprise integration architecture strategy.

21

Roadmap Advisory Group
Decision-making principles

Natural boundaries principle *Should be designed around natural boundaries (adopted by the ISB November 2004)*

- Rationale:
  - Achieving the ability to view state government as a single enterprise requires the ability to effectively integrate systems as needed. Systems with well defined, natural boundaries aid in integration.
- Implications:
  - In order to meet its mandate in a timely manner, the state will need to leverage and use all of its available resources including the existing environment.
  - Within the boundaries of an "Information System", tight coupling streamlines business processes.
  - Between "Information Systems", loose coupling allows open, plug and play approach.
  - Requires definitions of what is in and out of scope of statewide "Information Systems".
  - Requires enterprise-level business and data modeling.

Logical Sequence Principle Should sequence projects based on information needs

- Rationale:
  - Reduces risk of missing key functionality and rework
  - Captures the data needed for operations and performance management as part of the original transactions
- Implications:
  - May have to model lower-value business processes before potentially higher-value processes
- Examples:
  - HRMS would have included financial requirements earlier

22

Roadmap Advisory Group
Decision-making principles

Business Sponsorship Principle Should select projects with business sponsors for significant change

- Rationale:
    - Significant process change requires leadership and sponsorship at the highest levels
- Implications:
    - We should not proceed with new ideas if a committed business sponsor can't be identified
- Examples:
    - Identify business sponsor for using state credit cards for all travel expenses

Value Proposition Principle: Should have a measurable value proposition for change

- Rationale:

    Difficult to achieve change without a clear business return

- Implications:

    We should not promote policy, process, systems or information changes without a notable value for the enterprise

- Example:

    Prioritize process modeling work around valued projects such as TEMS, Enterprise Grants and Loans Management

23